

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

October 5, 2011

To: Internal File

THRU: Steve Christensen, En Sci III, Permit Supervisor / Team Lead / Task Manager *SC*
Daron Haddock, Title V Coal Program Manager *HOOPH*

FROM: Peter Hess, En Sci III, Reclamation Cost Estimate and Bond Review *PHH by SCS*

RE: MIDTERM PERMIT REVIEW, Intermountain Power Agency, Wildcat Loadout, C/007/033, Task ID # 3931,

SUMMARY:

The Division initiated a midterm review of the mining and reclamation plan for the Wildcat Loadout on September 29, 2011.

The previous permit was issued to UtahAmerican Energy / Andalex Resources, Inc., on May 5, 2009 for a term of five years.

Intermountain Power Agency applied for a permit transfer from UtahAmerican to IPA and received an approval from the Division for that transfer on June 27, 2011.

This memo will address the adequacy of the reclamation cost estimate and the bond amount posted to ensure the reclamation of the 73.26 acres of disturbance. The currently approved cost estimate is found in Appendix B, Part D of the mining and reclamation plan.

TECHNICAL ANALYSIS

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec.800; R645-301-800, et seq.

Analysis:

General

The review of the approved reclamation cost estimate for the Wildcat Loadout was initiated on September 30, 2011. Unit cost updates for the demolition of steel structures, concrete removal and disposal, fence and power line removal, etc., were made to the demolition cost estimate using the 2011 R.S. Means Heavy Construction Cost Data Manual.

The earthwork cost estimate was updated using current CLAB and Foreman Outside Average wage per hour figures, again from 2011 R. S. Means.

The revegetation cost estimate was updated using additional acreage determined from the Division's approval of requirements necessary to address the cleanup of coal fines from the east side of the property, (Division Order DO-04). Of the 73.26 acres now considered disturbed, only 69 acres are to be roughened for revegetation purposes. All 73.26 acres should be re-seeded with the approved final reclamation mix and mulched.

Form of Bond

The form of bond posted by the Intermountain Power Agency to ensure the reclamation of the Wildcat Loadout permit area is a collateral bond in the form of Treasury Securities (in the amount of \$ 1,144,000.00). These are held by Wells Fargo Bank.

Determination of Bond Amount

The following direct costs were recalculated using 2011 unit costs from R.S. Means;

1) Subtotal Demolition and Removal of facilities.....	\$ 212,052.00
2) Subtotal Backfilling and Grading	\$ 240,037.00
3) Subtotal Revegetation.....	\$ 333,940.00
 Total of Direct Costs.....	 \$ 786,029.00
 Subtotal of Indirect Costs.....	 \$ 210,656.00
 Total Cost 2011 Dollars.....	 \$ 996,685.00

The escalation factor for 2011 is 1.7 %. The next midterm permit review for the Wildcat Loadout permit will occur in 2016 (5 years) (1.017 to the 5 power = 1.0879).

The escalated dollars for the five year period = $(.0879) (\$ 996,685.00) = \$ 87,648.00$.

The escalated reclamation cost estimate to 2016 is \$ 1,084,333.00.

The amount of bond posted for the permit area is \$ 1, 144,000.00. This is \$ 60,000 or 5.2 % more than the amount necessary.

The posted bond is sufficient to reclaim the site through 2016.

Terms and conditions for Liability Insurance

Intermountain Power Agency has provided evidence of maintaining liability insurance in full effect by submitting a letter certifying the status of Intermountain Power Agency as a self-insurer and documenting that they have the required coverages mandated under R645-301-890 et al.

Findings:

The current amount of posted bond is sufficient to reclaim the Wildcat Loadout through 2016.

RECOMMENDATION:

The Division should complete the midterm permit review process, based upon the adequacy of the posted reclamation bond amount.